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Report Highlights:

- MEXICO LIKELY TO APPEAL WTO RULING ON FRUCTOSE
- MEXICO CONSIDERING OPTIONS TO BLOCK HFCS IMPORTS AFTER WTO RULING
- MEXICO TO MAINTAIN CURRENT HEALTH MEASURES IN LIGHT OF NEW BSE FINDING
- MEXICO, U.S., CANADA PLEDGE TO UP SECURITY
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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO LIKELY TO APPEAL WTO RULING ON FRUCTOSE

Mexico will likely appeal a World Trade Organization (WTO) panel's preliminary ruling which objected to a Mexican tax on high-fructose corn syrup (HFCS), a spokesman for President Vicente Fox said on July 29, 2005. Ruben Aguilar told reporters that the decision to challenge the ruling had already been made "in principle." He added, however, that his government would also like to form a panel under the North American Free Trade Agreement (NAFTA) with the hopes of winning duty-free access to the U.S. market for Mexican sugar. "There is interest on the part of the government to establish a panel to resolve the cause of the problem, which is not just fructose but also the surplus of sugar production that could be sent to markets in the United States," Aguilar said at his daily briefing with reporters. He said Mexico is ready to "resolve once and for all ... that if excesses of Mexican sugar are allowed to enter freely into the U.S. market in an automatic way, the problem of fructose will be resolved." A spokeswoman for the Secretariat of Economy (SE) said the still-confidential preliminary ruling was announced to Mexican and U.S. authorities on June 28, 2005. She said Mexico now has a 15-day discussion period, followed by a 60-day period to appeal. Washington claims Mexico is in breach of international law in imposing a 20 percent tax on drinks that are sweetened with anything other than cane sugar grown in Mexico. Government officials in this country insist the levy is in line with WTO rules. "We need to defend our own interests," Aguilar added. Faced with a glut of sugar, Mexico imposed duties on imported HFCS that the WTO ruled violated international trade rules. In response, legislators implemented the 20 percent tax in January 2002. (Source: El Universal; 06/30/2005)

MEXICO CONSIDERING OPTIONS TO BLOCK HFCS IMPORTS AFTER WTO RULING

In response to the preliminary ruling against Mexico's 20-percent tax on high fructose corn syrup (HFCS), it has been reported that the sugar industry is now requesting the government apply a safeguard that would limit HFCS imports to Mexico. However, due to the timing established to respond to the WTO ruling, including the issuance of the final resolution and likely appeal to the decision, it is expected that the special tax on HFCS would still be in place for the remainder of 2005. The Secretariat of Economy (SE) indicated that as long as access for Mexican sugar to the U.S. market is not resolved, the entrance of fructose to Mexico cannot be resolved. SE views the two issues as intimately linked and that Mexico has the right to take measures that help to balance its market and protect the interests of the domestic sugar industry. The newspapers added that additional possible actions that could

be taken by the government include: applying a TRQ mechanism for HFCS imports from the U.S. equivalent to the sugar that Mexico can export to the U.S.; insisting on the establishment of a conflict resolution panel under NAFTA; or reactivating the bilateral negotiations between governments to find a solution to the conflict in the sweeteners market. (SOURCE: Financiero, Economista, Universal, Reforma, La Jornada, Excelsior 06/29,30/2005)

MEXICO TO MAINTAIN CURRENT HEALTH MEASURES IN LIGHT OF NEW BSE FINDING

According to a local newspaper, the Secretariat of Agriculture (SAGARPA) indicated that they would maintain the current partial restrictive measures on imports of bovine products despite a second case of BSE being confirmed in the United States. On Friday, June 24, the United States Department of Agriculture (USDA) confirmed a second case of BSE in its territory, stating that the animal in question was born before the prohibition in the United States of the use of meat and bone meal of ruminant origin in the feeding of ruminants and that its safeguard system against BSE intercepted the animal due to mobility problems that made the animal suspect. SAGARPA maintains the current measures guarantee the protection of the national herd and that of consumers. SAGARPA reiterated that Mexico currently restricts the import of live cattle and specific risk materials. Furthermore, SAGARPA demands that the products come from animals of less than 30 months of age, that material from the central nervous tissue is removed, and that no bones be present in any shipment of beef. (Source: El Financiero, 06-27-05)

MEXICO, U.S., CANADA PLEDGE TO UP SECURITY

Canada, Mexico and the United States pledged Monday to further tighten security to protect North America from terrorism while expanding on the world's largest trading partnership by facilitating the flow of people and goods across their borders. "We are three countries, three friends living in the same neighborhood, so we have a common interest in our mutual security and our mutual prosperity," U.S. Homeland Security Secretary Michael Chertoff told a news conference in the federal capital, Ottawa, after he and his Canadian and Mexican counterparts unveiled a list of targets and initiatives. "We want to confront external threats; we want to prevent and respond to threats to North America and we want to facilitate the flow of traffic across our borders," Chertoff said. "The more secure our region is, the more our prosperity will flourish." The top trade and industry ministers from the three countries also reported on the progress of the Security and Prosperity Partnership initiative, announced by Canadian Prime Minister Paul Martin, U.S. President George W. Bush and President Vicente Fox after their March 23 meeting in Waco, Texas. Deputy Prime Minister Anne McLellan, who is also Canada's minister of public safety, said 300 proposals have been reviewed to ensure security and the free flow of North American trade, prevent threats from potential terrorists, and harmonize the screening of dangerous people or cargo. The 90-page document includes goals to standardize food-safety and pesticide regulations, and efforts to prevent a global flu pandemic. On the economic front, U.S. Secretary of Commerce Carlos Gutierrez, said the United States, Canada and Mexico have a trading relationship worth more than \$700 billion a year, an increase of 88 percent between 1993 and 2003. "So we have a lot of jobs and a lot of prosperity tied to this very important trading relationship," Gutierrez said, adding: "No market economy can thrive without safety and security for its people. The threats we face require seamless cooperation that extends beyond our borders." (Source: El Universal; 06/28/2005)

LIMITED SCOPE FOR AGRICULTURE IN THE SPP

The Mexican Agriculture Ministry (SAGARPA) recognized the scope of agriculture in the Security and Prosperity Partnership of North America (SPP) will be limited. Gerardo Lopez-

Noriega, SAGARPA's Trade Promotion Coordinator, stated the protective attitude of the United States against Mexican agriculture products limits the possibilities of real North America integration. He further stated that currently the SPP does not consider integral a common fund for rural development in Mexico. "The U.S. and Canada do not consider us subject to receiving capital development funds; rather they see us disposed to receiving credits for development" Lopez-Noriega concluded. (Source: El Financiero; 06/28/2005)

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